

**AUDIT OF THE
GREENUP COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 2005

**ROSS & COMPANY, PLLC
Certified Public Accountants**

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To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Robert W. Carpenter, Greenup County Judge/Executive
Members of the Greenup County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greenup County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Greenup County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Greenup County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greenup County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

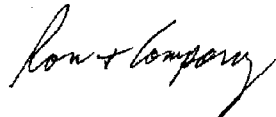
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(Continued)

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Greenup County, Kentucky's basic financial statements. The accompanying supplemental information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 9, 2006 on our consideration of Greenup County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted

A handwritten signature in cursive script, appearing to read "Ross & Company", is written over a horizontal line.

Ross & Company, PLLC

Audit fieldwork completed-
May 9, 2006



Robert W. Carpenter, *Greenup County Judge Executive*

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Management's Discussion and Analysis

The financial management of Greenup County Fiscal Court offers the readers of the County of Greenup's financial statements this narrative overview and analysis (MD&A) for the financial activities of the County of Greenup for the fiscal year ended June 30, 2005. The information presented here should be considered in conjunction with additional *information provided in the letter of transmittal and notes to the financial statements.*

Financial Highlights

- The assets of the County exceeded its liabilities at June 30, 2005 by \$11,496,688 (net assets).
- The increase in net assets over last fiscal year is a total of \$205,054.
- As of June 30, 2005, the County's governmental funds reported combined ending balance of \$2,364,917, an increase of \$2,255,478 from the prior year.
- The County's total (long term and short term) net debt decreased \$263,591
- The County received a *Litter Abatement Grant* in the amount of \$41,146 and acted as a pass-thru agent for several small Community Development Grants from the State in a total amount of \$282,967.
- A total of \$72,956 was received from Federal Emergency Management Agency as reimbursement for the 2002 flood and 2003 Ice storm.
- A Community Emergency Relief Fund grant was received in the amount of \$245,000 to reimburse a portion of the expenditures the County incurred during the ice storm.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management discussion and analysis serves as an introduction to Greenup County's basic financial statements, which are the government-wide financial statements, fund financial statements, and notes to the financial statements. Also included in this report is required supplementary information.

Government-wide financial statements.

The *government-wide financial statements* report information concerning the overall finances of Greenup County similar to a private sector business enterprise.

The *Statement of Net Assets* presents information on all of Greenup County's assets less liability, which results in net assets. The statement is designed to display the financial position of the County. Over time, increases or decreases in net assets help determine whether the County's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the County's net assets changed as a result of the year's activities. The statement uses the modified cash basis of accounting by which all revenues and expenses are reported at the time of actual transaction with modifications made to reflect outstanding purchase orders and recording depreciation expenses on capital assets in the government-wide financial statements.

The Statement of Net Assets and the Statement of Activities distinguish functions of the County that are financed primarily by taxes, intergovernmental revenues, and charges for services (governmental activities) from functions where user fees and charges to customers help to cover all or most of the cost of services (business-type activities). The County's governmental activities include general government, public safety, public works, health and welfare, community development, and economic development. The business type activities are limited to the Jail Canteen.

Not only do the government-wide financial statements include Greenup County Fiscal Court itself, which is the primary government, but also its blended component unit, Public Properties Corporation. Although this component unit is legally separate, its operational or financial relationship with the County makes the County financially accountable

Governmental funds.

Governmental funds, are used to report most of the County's basic services. The funds focus on the inflows and outflows of current resources and the balances of spendable resources available at the end of the fiscal year. Governmental fund statements provide a short-term view of Greenup County operations. Such information may be useful in evaluating a government's near-term financing requirements.

Greenup County utilizes eleven governmental funds along with two pass-thru funds for retirement and payroll and the component unit of Public Properties. There are six major Governmental funds, which have separately presented information in the governmental fund *Balance Sheet* and *Statement of Revenues, Expenditures*, and changes in fund balances. The major funds are the General Fund, Road Fund, Jail Fund, Landfill Fund, Revolving Loan Fund, and the Public Properties Corporation Fund. The non-major funds of LGFA, State, Federal, LGEDF, and E911 are presented in the aggregated in the governmental fund financial statements. The individual fund information is presented in combining statements.

Greenup County adopts an annual appropriated budget for all governmental funds with the exception of Public Properties Corporation. Budgetary comparison statements for major funds have been provided to demonstrate compliance with these budgets.

Proprietary funds.

Greenup County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Jail Canteen.

Notes to the financial statements.

These notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial analysis

As of June 30, 2005, Greenup County as a whole, had assets greater than its liabilities by \$11,523,618. Greenup County's net assets invested in capital assets is \$9,118,488 (streets, bridges, buildings, equipment, etc.). The assets are net of the outstanding principal of debt associated with the acquisition of these capital assets. Therefore, these assets are unavailable for general expenditures but must be used for the intended purposes.

Greenup Fiscal Court experienced a financial set back when the company contracted to furnish employee health insurance failed to meet its obligations. The contract was severed as of October 31, 2004, but only after thousands of dollars of medical expenses had accumulated. The Fiscal Court, under advisement of the County Attorney, voted to pay employee's medical expenses for the period of January 1, 2004 through October 31, 2004. This resulted in a significant ballooning of County expenses.

Financial Analysis of Greenup County's Funds

As of the end of the June 30, 2005 fiscal year, the combined ending fund balance of Greenup County's governmental funds was \$2,364,917. Approximately 91% (\$2,160,500) of this amount consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder (\$204,417) is reserved and therefore unavailable.

Greenup County has six major governmental funds including the blended component unit. These are:

1. General Fund
2. Road Fund
3. Jail Fund
4. Landfill fund
5. Revolving Loan Fund
6. Public Properties Corporation Fund

In addition there are five non-major governmental funds:

1. Local Government Economic Assistance Fund
2. State Grants Fund
3. Federal Grants Fund
4. L G E D F fund
5. E911 Fund

GREENUP COUNTY FISCAL COURT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2005
(Continued)

I **MAJOR FUNDS**

- A. The **General Fund** is the chief operating fund of Greenup County. At the end of the 2005 fiscal year, unreserved fund balance of the General Fund was \$204,443, and total fund balance was \$260,650. This figure reflects not only the \$200,000 transferred into the fund from other funds, but also the \$980,843 which was transferred out. The single largest source of revenue into the General Fund was from Real Property tax revenues, which totaled \$950,350. A Homeland Security grant in the amount of \$64,503 was received with \$60,408 being expended on Homeland Security, during this fiscal year. An agreement with several municipalities provides that Greenup County acts as a pass-thru agent on a countywide storm water project. Revenues of \$45,211 were received for that purpose with expenditures of \$42,323 during 2005. The remaining portion of General Fund revenue is composed from various other taxes and service fees. General Fund liabilities include payment of \$244,843 toward retiring a 1997 bond issue incurred to build the annex/jail; of which the Administrative Office of Courts reimbursed \$178,781 of those costs during 2005. Other 2005 General Fund liabilities include payment of \$268,942 toward employee's medical costs either in premiums (\$186,844) or directly to health providers (\$82,098).
- B. The **Road Fund** relates to county road and bridge construction and maintenance. At the end of the 2004 fiscal year, unreserved fund balance was \$809,483. The single largest funding source during the 2005 fiscal year for the Road Fund came from Kentucky State Treasurer County Road Aid in the Amount of \$719,006. Road liabilities include payment of \$309,562 for asphalt and blacktopping services and \$238,774 in gravel and pipe. Other 2005 Road Fund liabilities include payment of \$160,142 toward employee's medical costs either in premiums (\$83,469) or payments made directly to health providers (\$76,672).
- C. The **Jail fund** is funded chiefly (47%) by General Fund transfers (\$536,000). An additional 32% is generated through the housing of Control Intake (\$135,516) and Class D (\$227,845) state prisoners. Jail liabilities include \$166,097 for food and \$59,048 for medical expenses of prisoners. Other 2005 Jail liabilities included payment of \$100,528 toward employee's medical costs, either in premiums (\$79,204) or direct payments (\$21,323) to providers.
- D. Greenup County's **Landfill fund** is run chiefly through permit fees (\$415,707) and utilized for solid waste removal (\$110,835) and maintaining garbage haul roads (\$142,854). June 30, 2005 the unreserved fund balance was (\$3,344) while the total balance was \$6,287. Permit fees were 65% of Landfill Fund revenues. A litter abatement grant was received in the amount of \$41,146, which was utilized to clean up dumps in the county. Landfill liabilities include a 2002-asphalt lease of \$1,300,000, which the County incurred to blacktop 10 miles of roadway. During the 2005 fiscal year payments of \$150,779 were made toward retiring that debt. \$23,646.87 was spent for employee's medical costs.

GREENUP COUNTY FISCAL COURT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2005
(Continued)

- E. The **Revolving Loan Fund** was established to assist local businesses, through loans to qualifying applicants, and is intended to stimulate the local economy through successful private enterprise. The end of the fiscal year cash balance totaled \$409,784. As of June 30, 2005 Greenup County had two (2) existing loans; Riverport Authority, Ohio River Shippers. R & D Associates retired a loan with payment of \$134,572 during the 2005 fiscal year. The total due on the remaining loans at June 30, 2005 was \$13,283. All expenditures in the 2005 fiscal year were of the administrative nature.

- F. **Public Properties Corporation** is a blended component of Greenup County Fiscal Court. It was established to incur long-term debt necessary to build the annex/jail facility. It is not included in Greenup County Fiscal Courts budget. Public Properties has a total of 4 accounts. Checking account, First Mortgage refunding rev bonds, Refunding Issue 1997, and a Repurchase agreement. The First Mortgage Refunding Rev Bonds and Refunding Issue are simply pass-thru accounts whose revenues are direct payments made by Greenup Fiscal Court and whose expenditures are 100% bond obligations. The Repurchase Agreement and checking account are funds, which can be used to meet Public Properties financial obligations. The unencumbered cash balance of those two accounts at June 30, 2005 totaled \$198,605 while the remaining \$250,744 is encumbered by bond obligations. Expenditures in the 2005 fiscal year were to maintenance on the jail facility (\$21,227.36) and the purchase of real property (\$12,000), the last of which will be repaid by the Fiscal Court at the sum of \$100 per month, interest free.

2. **NON-MAJOR FUNDS**

- A. **Local Government Economic Assistance fund** is funded by mineral taxes collected by The State. As of June 30, 2005 it had an unencumbered balance of \$3602. During the 2005 Fiscal year Greenup County received \$6,585 in revenue from minerals (gravel sales). Expenditure categories are restricted by K. R. S and are as follows: 62% to transportation and 38% to social services..
- B. **STATE GRANT FUND** is funded by the Kentucky State Treasurer for various community improvements. The largest of those revenues \$267,017 or 75% was received for Phase 7/8 of the Greenup County Water Project. Greenbo Trails and the Ambulance Board grants comprised \$15,949 or 6% of 2005 revenues and the remaining 19% came from bank interest and prior year carryover. The largest expenditure of \$301,041 was toward the Phase 7/8 water project and the remaining 7% divided between Ambulance Board and Greenbo Trails & Amphitheater.
- C. **FEDERAL GRANT FUND** ended the 2005 fiscal year with an unencumbered balance of \$1,010. Revenue of \$2,037 was received. The County expended \$6,760 during the year.
- D. **LGEDF FUND** had an unencumbered balance of \$15,985 on June 30, 2005. The only revenues received were from bank interest and prior year carryover. Expenditures of \$8,247 went to Fire departments while the remaining \$1,450 was in the form of a grant to the fairground ballpark.

GREENUP COUNTY FISCAL COURT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2005
(Continued)

- E. **E911 Fund's** largest revenue of (69%) \$336,784 came from telephone fees. The unreserved fund balance was \$226,937 on June 30, 2005. In February 2004 a lease was undertaken in the amount of \$387,174 for the purpose of purchasing equipment. The lease was utilized as a draw down with direct payment of invoices being handled by KACO and therefore the revenue did not pass through the Greenup Fiscal Court budget. Expenditures made to monthly principal and interest on that lease was reported in the amount of \$45,475. As of June 30, 2005 approximately \$201,527 had been drawn down on the lease with the remainder (\$188,398) drawing interest and still available for future use. The largest E911 budgetary expenditures during the 2005 fiscal year was on equipment and telephone services.

Proprietary Funds Overview

Greenup County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Greenup County has only one (1) enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had net assets of \$26,930 as of June 30, 2005 comprised entirely of cash.

General Fund Budgetary Highlights

The County's original budget was amended during the fiscal year increasing the operating budget by \$295,701. Budget amendments were made in several areas due to an increase in prior year carry over, dispatching services, and reimbursements as well as property tax (both real and delinquent) franchise and deed fees, excess fees from the County Clerk and storm water receipts

Requests for Information

The financial report is designed to provide a general overview of Greenup County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Greenup County Treasurer, 301 Main Street Box 3, Greenup, KY 41144.

GREENUP COUNTY OFFICIALS

Fiscal Year Ended June 30, 2005

Fiscal Court Members:

Robert W. Carpenter	County Judge/Executive
Don Fraley	Commissioner
Mike Hieneman	Commissioner
Tony Quillen	Commissioner

Other Elected Officials:

Mike Wilson	County Attorney
Jimmy Womack	Jailer
Donald L. Davidson	County Clerk
Allen Reed	Circuit Court Clerk
Keith Cooper	Sheriff
Bill Clary	Property Valuation Administrator
Leslie Neal Wright	Coroner

Appointed Personnel:

Carol Vinson	County Treasurer
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GREENUP COUNTY
STATEMENT OF NET ASSETS-MODIFIED CASH BASIS

June 30, 2005

GREENUP COUNTY
STATEMENT OF NET ASSETS-MODIFIED CASH BASIS

June 30, 2005

	Primary Government		
	Governmental	Business-Type	Totals
	Activities	Activities	
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,364,917	\$ 26,930	\$ 2,391,847
Note Receivable	13,283		13,283
Total Current Assets	<u>2,378,200</u>	<u>26,930</u>	<u>2,405,130</u>
Noncurrent Assets:			
Capital Assets-Net of Accumulated Depreciation			
Land and Land Improvement	2,739,418		2,739,418
Buildings	2,211,944		2,211,944
Other Equipment	222,794		222,794
Vehicles and Equipment	359,187		359,187
Infrastructure Assets-Net of			
Depreciation	8,732,850		8,732,850
Total Noncurrent Assets	<u>14,266,193</u>		<u>14,266,193</u>
Total Assets	<u>16,644,393</u>	<u>26,930</u>	<u>16,671,323</u>
LIABILITIES			
Current Liabilities:			
Financing Obligations	151,000		151,000
Bonds Payable	180,000		180,000
Total Current Liabilities	<u>331,000</u>		<u>331,000</u>
Noncurrent Liabilities:			
Financing Obligations	3,501,705		3,501,705
Bonds Payable	1,315,000		1,315,000
Total Noncurrent Liabilities	<u>4,816,705</u>		<u>4,816,705</u>
Total Liabilities	<u>5,147,705</u>		<u>5,147,705</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	9,118,488		9,118,488
Unrestricted	2,378,200	26,930	2,405,130
Total Net Assets	<u>\$ 11,496,688</u>	<u>\$ 26,930</u>	<u>\$ 11,523,618</u>

The accompanying notes are an integral part of the financial statement.

GREENUP COUNTY
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS

For The Year Ended June 30, 2005

GREENUP COUNTY
STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Functions/Programs Reporting Entity	Program Revenue Received				Net (Expenses) Revenues and Changes in Net Assets	
					Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities Totals
Primary Government:						
Governmental Activities:						
General Government	\$ 861,086	\$ 57,758	\$ 349,894		\$ (511,192)	\$ (511,192)
Protection to Persons and Property	1,406,452		638,171		(710,523)	(710,523)
General Health and Sanitation	679,455		308,163		(371,292)	(371,292)
Social Services	3,750				(3,750)	(3,750)
Recreation and Culture	76,138		5,261		(70,877)	(70,877)
Roads	1,191,984	4,437	1,728,618		541,071	541,071
Debt Service(Interest)	213,650				(213,650)	(213,650)
Administration	1,149,570				(1,149,570)	(1,149,570)
Total Government Activities	5,582,085	62,195	3,030,107		(2,489,783)	(2,489,783)
Business-type Activities:						
Jail Canteen Fund	160,536	160,271			(265)	(265)
Total Business-type Activities	160,536	160,271			(265)	(265)
Total Primary Government	\$5,742,621	\$ 222,466	\$ 3,030,107		\$ (2,489,783)	\$ (2,490,048)
General Revenues:						
Taxes:						
Real Property Taxes					\$ 950,350	\$ 950,350
Personal Property Taxes					90,502	90,502
Motor Vehicle Tax					159,444	159,444
Others Taxes					763,813	763,813
Excess Fees					47,275	47,275
Licenses and Permits					471,247	471,247
Unrestricted Investment Earnings					62,850	62,850
Other Revenue					149,356	149,356
Total General Revenues					2,694,837	2,694,837
Changes in Net Assets					205,054	(265)
Net Assets-Beginning (Restated)					11,291,634	27,195
						11,318,829
Net Assets-Ending					\$ 11,496,688	\$ 26,930
						\$ 11,523,618

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
BALANCE SHEET-GOVERNMENTAL FUNDS-MODIFIED CASH BASIS
June 30, 2005

GREENUP COUNTY
BALANCE SHEET-GOVERNMENTAL FUNDS-MODIFIED CASH BASIS

June 30, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Landfill Fund</u>	<u>Revolving Loan Funds</u>	<u>Public Properties Corporation Fund</u>	<u>Non- Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS								
Cash and Cash Equivalents	\$ 260,650	\$ 863,523	\$ 39,302	\$ 63,365	\$ 409,784	\$ 449,350	\$ 278,943	\$ 2,364,917
Interfund Receivable						57,078		57,078
Total Assets	<u>260,650</u>	<u>863,523</u>	<u>39,302</u>	<u>63,365</u>	<u>409,784</u>	<u>506,428</u>	<u>\$ 278,943</u>	<u>\$ 2,421,995</u>
LIABILITIES								
Interfund Payable				57,078				57,078
Total Liabilities				<u>57,078</u>				<u>57,078</u>
FUND BALANCES								
Reserved for:								
Encumbrances	56,207	54,040	84,539	9,631				204,417
Unreserved								
General Fund	204,443							204,443
Special Revenue Funds		809,483	(45,237)	(3,344)	409,784		278,943	1,449,629
Debt Service Fund						506,428		506,428
Total Fund Balances	<u>260,650</u>	<u>863,523</u>	<u>39,302</u>	<u>6,287</u>	<u>409,784</u>	<u>506,428</u>	<u>278,943</u>	<u>2,364,917</u>
Total Liabilities and Fund Balances	<u>\$ 260,650</u>	<u>\$ 863,523</u>	<u>\$ 39,302</u>	<u>\$ 63,365</u>	<u>\$ 409,784</u>	<u>\$ 506,428</u>	<u>\$ 278,943</u>	<u>\$ 2,421,995</u>

Reconciliation To Statement Of Net Assets

Total Fund Balances	\$ 2,364,917
Amounts reported for Government Activities in the Statement Of Net Assets are difference because:	
Capital Assets Used in Government Activities are not Financial Resources and therefore are not reported in the funds.	23,267,746
Accumulated Depreciation	(9,001,553)
Other assets are not available to pay current expenditures and therefore are not reported in the funds:	
Notes Receivables	13,283
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(3,652,705)
Revenue Bonds	(1,495,000)
Net Assets Of Government Activities	<u>\$ 11,496,688</u>

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES-GOVERNMENTAL FUNDS-MODIFIEDCASH BASIS

For The Year Ended June 30, 2005

GREENUP COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS-MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	General Fund	Road Fund	Jail Fund	Landfill Fund	Revolving Loan Fund	Public Properties Corporation Fund	Non- Major Governmental Funds	Total Governmental Funds
REVENUES								
Taxes	\$ 1,627,325	\$	\$	\$	\$	\$	\$ 336,784	\$ 1,964,109
Excess Fees	47,275							47,275
Licenses and Permits	55,541			415,707				471,248
Intergovernmental	427,263	1,722,033	548,289	41,146			291,375	3,030,106
Charges for Services		4437	47,537				10,221	62,195
Miscellaneous	40,742	17,279	671		155,085		63,522	277,299
Interest	7,778	16,927	256	306	11,744	22,097	3,742	62,850
Total Revenue	2,205,924	1,760,676	596,753	457,159	166,829	22,097	705,644	5,915,082
EXPENDITURES								
General Government	754,945				35,471	33,231		823,647
Protection to Persons and Property	113,397							1,416,362
General Health and Sanitation	142,530	7,974	890,703	235,884			404,288	679,455
Social Services							301,041	3,750
Recreation and Culture	51,082				10,060		3,750	76,138
Roads		1,182,528		142,853			14,996	1,338,141
Debt Service:							12,760	
Principal								
Interest	29,600	53,416		120,880		175,000	33,011	328,891
Administration	516,447	297,490	220,797	42,852		85,420	15,315	213,650
Total Expenditures	1,608,001	1,541,408	1,111,500	572,368	45,531	293,704	857,092	6,029,604
Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)	597,923	219,268	(514,747)	(115,209)	121,298	(271,607)	(151,448)	(114,522)
Other Financing Sources (Uses)								
Lease Proceeds	1,074,300	1,295,700						2,370,000
Transfers From Other Funds	200,000	204,500	536,000			244,843		1,185,343
Transfer To Other Funds	(980,843)	(200,000)			(4,500)			(1,185,343)
Total Other Financing Sources (Uses)	293,457	1,300,200	536,000		(4,500)	244,843		2,370,000
Net Change in Fund Balances	891,380	1,519,468	21,253	(115,209)	116,798	(26,764)	(151,448)	2,255,478
Fund Balances-Beginning	(630,730)	(655,945)	18,049	121,496	292,986	533,192	430,391	109,439
Fund Balances-Ending	\$ 260,650	\$ 863,523	\$ 39,302	\$ 6,287	\$ 409,784	\$ 506,428	\$ 278,943	\$ 2,364,917

The accompanying notes are an integral part of the financial statements

**GREENUP COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

GREENUP COUNTY
RECONCILIATION OF THE STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 2,255,478
--	--------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	759,407
Depreciation Expense	(640,779)
Note receivable principal received	(127,943)

The issuance of long-term debt provides current financial resources to the governmental funds. While lease bond principal payments are expended in the Governmental Funds as a use of current year financial resources. These transactions, however, have no effect on net assets.	(2,370,000)
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Financing Obligations- principal payments	153,891
Bond payment	<u>175,000</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 205,054</u></u>
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The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS – MODIFIED CASH BASIS

June 30, 2005

GREENUP COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS -
MODIFIED CASH BASIS

June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 26,930
Total Current Assets	<u>26,930</u>
Net Assets	
Unrestricted	26,930
Total Net Assets	<u><u>\$ 26,930</u></u>

The accompanying notes are an integral part of the financial statements

**GREENUP COUNTY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS – MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

GREENUP COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenue	
Canteen Receipts	\$ 160,271
Total Operating Revenue	<u>160,271</u>
Operating Expenses	
Cost of Sales	131,725
Educational and Recreational	3,409
Miscellaneous	8,930
Total Operating Expenses	<u>144,064</u>
Operating Income (Loss)	<u>16,207</u>
Nonoperating Expenses	
Inmate Refunds	<u>(16,472)</u>
Total nonoperating Expenses	<u>(16,472)</u>
Changes In Net Assets	(265)
Total Net Assets - Beginning	<u>27,195</u>
Total Net Assets- Ending	<u><u>\$ 26,930</u></u>

The accompanying notes are an integral part of the financial statements

**GREENUP COUNTY
STATEMENT OF CASH FLOWS –
PROPRIETARY FUNDS – MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

GREENUP COUNTY
STATEMENT OF CASH FLOWS-
PROPRIETARY FUNDS-MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 160,271
Cost of Sales	(131,725)
Educational and Recreational	(3,409)
Miscellaneous	(8,930)
Net Cash Provided By Operating Activities	<u>16,207</u>
Cash Flows From Noncapital Financing Activities	
Inmate Refunds on Accounts	<u>(16,472)</u>
Net Cash Provided By Noncapital Financing Activities	<u>(16,472)</u>
Net Increase in (Decrease) in Cash and Cash Equivalent	(265)
Cash and Cash Equivalent-July 1, 2004	<u>27,195</u>
Cash and Cash Equivalents-June 30, 2005	<u><u>\$ 26,930</u></u>

The accompanying notes are an integral part of the financial statements

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TO THE FINANCIAL STATEMENTS**

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GREENUP COUNTY FISCAL COURT
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transaction, with few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivables are recognized on the Statement of Assets, but note receivables are not included and recognized on the Balance Sheet - Governmental Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet-Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Greenup County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the entity includes a organization that is legally separate from the primary government. Legal separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

Greenup County Public Properties Courthouse Corporation

The Greenup County Public Properties Corporation (the Corporation) is a legally separate entity established to provide long-term debt service for the fiscal court. The Corporation's governing body consists entirely of fiscal court members. Therefore management must include the Corporation as a component unit, and the Corporation's financial activity has been blended with that of the fiscal court.

C. Greenup County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Greenup County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Greenup County, Kentucky.

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt-consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets- resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by laws through constitutional provisions or enabling legislation; 3) unrestricted net assets- those assets that do not meet the definition of restricted net assets or invested capital assets.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) operating grants and contributions and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internal dedicated resources such as taxes and other unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Governmental Funds

The government reports the following major governmental funds:

General Fund – This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund – This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, county road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund – The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, other counties for housing prisoners and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Landfill Fund - This fund is run chiefly through landfill permits and fees and used to maintain garbage haul roads. The landfill is privately owned and operated and the fees are paid by the landfill itself.

Revolving Loan Fund- This fund was established to assist local business through loans to qualifying applicants and is intended to stimulate the local economy through successful private enterprise.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Public Properties Corporation Fund – This is a blended component unit of the Greenup County Fiscal Court. It was established to incur long-term debt necessary to build the annex/jail facility. The Governor's Office for Local Development does not require the fiscal court to report or budget this fund.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grants Fund, Federal Grants Fund, Local Government Economic Development Fund, and 911 Fund.

Special Revenues Funds:

The Road Fund, Jail Fund, Landfill Fund, Revolving Loan Fund, Local Government Economic Assistance Fund, State Grants Fund, Federal Grants Fund, Local Government Economic Development Fund, and 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Public Properties Courthouse Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for enterprise fund include the cost of sales and services, and administrative expenses.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The primary government reports the following major proprietary fund:

Jail Canteen Fund – The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United State government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (road and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land is not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 20,000	10-60
Buildings and Building Improvements	50,000	10-75
Machinery and Equipment	10,000	3-25
Vehicles	10,000	3-25
Infrastructure	20,000	10-50

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds and capital leases are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the statement of net assets and statement of activities, however encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the Fund Balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Account Policies (Continued)

I. Budgetary Information (Continued)

Formal budgets are not adopted for the Public Properties Courthouse Corporation Fund because bond indentures and other relevant contractual provisions require specific annual payments to and from this fund annually and transfers are budgeted in the General Fund to comply with these requirements. The Governor's Office for Local Development does not require this fund to be budgeted.

J. Jointly Governed Organizations

A jointly governed organization is an entity that results from a multigovernmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The jointly governed organization can act independently of each of the participating governments. The following meet the criteria noted above and are reported as jointly governed organizations: Northeast Kentucky Regional Industrial Park Authority, Boyd/Greenup Riverport Authority, and the Ashland Regional Airport.

Note 2. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 64.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the county's deposits may not be returned. The county does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, \$148,336 of the county's bank balance was exposed to custodial credit risk as follows:

- Unsecured and uncollateralized - \$148,336 as of June 30, 2005

Note 3. Receivables

- A. The County's Revolving Loan Fund loaned \$40,000 to Ohio River Shippers on September 18, 2000. Terms of the agreement stipulate 60 monthly payments in the amount of \$755 commencing on October 1, 2000. Interest is the rate of 5% per annum. As of June 30, 2005, the principal outstanding was \$3,283.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Receivables (Continued)

- B The County's Revolving Loan Fund loaned \$10,000 to the Riverport Authority on November 13, 2001. There were no terms established for repayment and no interest rate was specified. As of June 30, 2005, the full amount of the \$10,000 loan was outstanding.

Note 4. Interfund Receivable and Payable

The Greenup County Public Properties Corporation paid \$125,000 on June 12, 2001, to purchase property on behalf of the fiscal court. The \$125,000 is to be repaid from Landfill Fund receipts. As of June 30, 2005, the balance due was \$57,078.

Note 5. Financing Obligations

The fiscal court entered into three lease agreements with the Kentucky Association of Counties. These agreements were for the purpose of purchasing E-911 equipment, paving roads, and operating revenue. As of June 30, 2005 the principal outstanding for all three leases was \$ 3,652,705. The future minimum payments for these leases are:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>
2006	\$ 326,164
2007	812,998
2008	770,401
2009	732,148
2010	689,207
2011-2015	<u>921,689</u>
Total Minimum Lease Payments	\$ 4,252,607
Less: Amount Representing Interest	<u>599,902</u>
Present Value of Minimum Lease Payments	<u>\$ 3,652,705</u>

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 2,739,418	\$	\$	\$ 2,739,418
Total Capital Assets Not Being Depreciated	2,739,418			2,739,418
Capital Assets Being Depreciated:				
Buildings	3,327,113			3,327,113
Furniture and Office Equipment	228,118	56,887		285,065
Vehicles and Equipment	1,394,620			1,394,620
Infrastructure	14,819,000	702,530		15,521,530
Capital Assets Being Depreciated	19,768,921	759,407		20,528,328
Less Accumulated Depreciation For:				
Building	(1,075,675)	(39,494)		(1,115,169)
Furniture and Office Equipment	(32,955)	(29,316)		(62,271)
Vehicles and Equipment	(960,274)	(75,159)		(1,035,433)
Infrastructure	(6,291,870)	(496,810)		(6,788,680)
Total Accumulated Depreciation	(8,360,774)	(640,779)		(9,001,553)
Total Capital Assets Being Depreciated, Net	11,408,147	118,628		11,526,775
Government Activities Capital Assets, Net	\$14,147,565	\$ 118,628	\$	\$14,266,193
<u>Governmental Activities:</u>				
General Government			\$ 37,439	
Protection to Persons and Property			46,967	
Roads, Including Depreciation of General Infrastructure Assets			556,373	
Total Depreciation Expense – Governmental Activities			\$ 640,779	

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 7. Short-term Debt

As of June 30, 2004 Greenup County had an outstanding debt of \$2,304,700 for money borrowed from the Kentucky Association of Counties. The note was due on February 20, 2005. On April 8, 2005, Greenup County entered into a long-term lease agreement with the Kentucky Association of Counties Leasing Trust for the purpose of converting the short-term debt to a long-term lease agreement. This long-term lease is included in operating leases in Note 5.

Note 8. Long-Term Debt

A. First Mortgage Refunding Revenue Bonds, Series 1997

On September 1, 1997, the Greenup County Public Properties Corporation issued \$2,745,000 of First Mortgage Refunding Bonds, Series 1997 for the purpose of defeasing the 1990 Series Bond Issue. The 1990 bonds were originally issued to finance the construction of the Greenup County Courthouse Annex and Detention Center Project. The Refunding Bonds dated September 1, 1997, require two semiannual interest payments to be made on March 1 and September 1 of each year commencing March 1, 1998. Principal payments are due on March 1 of each year commencing March 1, 1998. The bonds will mature March 1, 2012. As of June 30, 2005, the principal balance outstanding was \$1,45,000. Principal and interest payments for the remaining years are as followings:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 180,000	\$ 76,845
2007	190,000	67,935
2008	200,000	58,435
2009	215,000	48,235
2010	225,000	37,163
2011 – 2012	485,000	38,325
Totals	<u>\$ 1,495,000</u>	<u>\$ 326,938</u>

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 8. Long-term Debt (Continued)

B. Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Financing Obligations (Note 5)	\$ 1,436,596	\$2,370,000	\$ 153,891	\$ 3,652,705	\$ 151,000
Revenue Bonds	1,670,000		175,000	1,495,000	180,000
Total Governmental Activities Long-Term Liabilities	<u>\$3,106,596</u>	<u>\$2,370,000</u>	<u>\$ 328,891</u>	<u>\$ 5,147,705</u>	<u>\$ 331,000</u>

Note 9. Interest on Long-term Debt and Financing Obligations

Debt service on the Statement of Activities include \$128,230 in interest on financing obligations and \$85,420 in interest on bonds

Note 10. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 8.48 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspect of benefits for non-hazardous employees includes retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 11. Insurance

For the fiscal year ended June 30, 2005, Greenup County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Subsequent Events

On November 8, 2005 the Greenup County fiscal court made a payment of \$1,289,561 on a Revenue Lease Agreement with the Kentucky Association of Counties Leasing Trust. The entire payment was to be applied to the principal.

Note 13. Changes in Accounting Principles and Prior Period Adjustments

The beginning balance of capital assets Note 6, have been restated to reflect a net increase of \$1,329,458 due to omissions from the previous year schedule and assets included in the previous year that were below the threshold level set by the fiscal court. Due to the corrections previously noted, accumulated depreciation was restated by \$ 65,252.

Note 14. Estimated Infrastructure Historical Cost

Infrastructure historical cost on assets placed in service prior to July 1, 2003 is an estimate. The primary government estimated the year infrastructure was built by determining when a major construction had been done on infrastructure. Then current year construction cost was deflated back to this estimated year of construction or reconstruction to arrive at estimated historical cost. Historical cost on any infrastructure placed in service after June 20, 2003, is calculated using actual cost.

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information – Modified Cash Basis
For the Year Ended June 30, 2005

BUDGEARY COMPARISON SCHEDULES-MAJOR FUNDS

Required Supplemental Information-Modified Cash Basis

For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amount, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,421,700	\$ 1,540,700	\$ 1,627,325	\$ 86,625
Excess Fees	27,300	46,831	47,275	444
Licenses and Permits	45,000	45,000	55,541	10,541
Intergovernmental Revenues	399,240	489,240	427,263	(61,977)
Miscellaneous	35,840	35,840	40,742	4,902
Interest	4,500	7,700	7,778	78
Total Revenues	1,933,580	2,165,311	2,205,924	40,613
EXPENDITURES				
General Government	803,257	808,742	754,945	53,797
Protection to Persons and Property	130,984	133,184	113,397	19,787
General Health and Sanitation	94,500	147,015	142,530	4,485
Recreation and Culture	38,000	54,000	51,082	2,918
Debt Service:				
Principal	175,000	175,000	1,044,700	(869,700)
Interest	69,844	69,844	29,600	40,244
Administration	471,995	691,496	516,447	175,049
Total Expenditures	1,783,580	2,079,281	2,652,701	(573,420)
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources	150,000	86,030	(446,777)	(532,807)
OTHER FINANCING SOURCES (USES)				
Lease Proceeds			1,074,300	1,074,300
Transfers From Other Funds			200,000	200,000
Transfers To Other Fund	(500,000)	(500,000)	(980,843)	(480,843)
Total Other Financing Sources and (Uses)	(500,000)	(500,000)	293,457	793,457
Net Changes in Fund Balances	(350,000)	(413,970)	(153,320)	260,650
Fund Balance-Beginning	350,000	413,970	413,970	
Funding Balance-Ending	\$	\$	\$ 260,650	\$ 260,650

**Reconciliation of the Budgetary Comparison Schedule to Statement of
Revenues, Expenditures, and Changes in Fund Balance**

Debt Service Principal Payments-Per Budgetary Comparison Schedule	\$ 1,044,700
Less: Short-term Note Payment	(1,044,700)
Long-Term Debt Service Principal Payments-Per Statement of Revenue, Expenditures And Changes In Fund Balances	\$
Beginning Balance-Per Budgetary Comparison Schedule	\$ 413,970
Less: Outstanding Short-term Note	(1,044,700)
Beginning Balance- Per Statement of Revenue, Expenditures and Changes in Fund Balance	\$ (630,730)

BUDGETARY COMPARISON SCHEDULES-MAJOR FUNDS

Required Supplemental Information-Modified Cash Basis

For The Year Ended June 30, 2005 (Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 3,107,635	\$ 3,107,635	\$ 1,722,033	\$ (1,385,602)
Charge for Services	2,000	2,000	4,437	2,437
Miscellaneous	1,000	1,000	17,279	16,279
Interest	5,000	5,000	16,927	11,927
Total Revenues	3,115,635	3,115,635	1,760,676	(1,354,959)
EXPENDITURES				
Protection to Persons and Property		7,974	7,974	
Roads	1,166,000	1,413,991	1,182,528	231,463
Debt service:				
Principal	2,114,000	1,889,800	1,260,000	629,800
Interest	74,000	74,000	53,416	20,584
Administration	361,635	329,870	297,490	32,380
Total Expenditures	3,715,635	3,715,635	2,801,408	914,227
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(600,000)	(600,000)	(1,040,732)	(440,732)
OTHER FINANCING SOURCES (USES)				
Lease Proceeds			1,295,700	1,295,700
Transfers From Other Funds			204,500	204,500
Transfers to Other Funds			(200,000)	(200,000)
Total Other Financing Sources and (Uses)			1,300,200	1,300,200
Net Changes in Fund Balances	(600,000)	(600,000)	259,468	859,468
Fund Balances Beginning	600,000	600,000	604,055	4,055
Fund Balances-Ending	\$	\$	\$ 863,523	\$ 863,523

**Reconciliation of the Budgetary Comparison Schedule to Statement of
Revenues, Expenditures, and Changes in Fund Balance**

Debt Service Principal Payments-Per Budgetary Comparison Schedule	\$ 1,260,000
Less: Short-term Note Payment	(1,260,000)
Long-Term Debt Service Principal Payments-Per Statement of Revenue, Expenditures And Changes In Fund Balances	\$
Beginning Balance-Per Budgetary Comparison Schedule	\$ 604,055
Less: Outstanding Short-term Note	(1,260,000)
Beginning Balance- Per Statement of Revenue, Expenditures and Changes in Fund Balance	\$ (655,945)

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES-MAJOR FUNDS
Required Supplemental Information-Modified Cash Basis
For The Year Ended June 30, 2005 (Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 514,000	\$ 524,000	\$ 548,289	\$ 24,289
Charges for Services	67,500	67,500	47,537	(19,963)
Miscellaneous	1,000	1,000	671	(329)
Interest	200	200	256	56
Total Revenues	582,700	592,700	596,753	4,053
EXPENDITURES				
Protection to Person and Property	788,000	890,995	890,703	292
Administration	295,700	222,754	220,797	1,957
Total Expenditures	1,083,700	1,113,749	1,111,500	2,249
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(501,000)	(521,049)	(514,747)	6,302
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	500,000	500,000	536,000	36,000
Total Other Financing Sources (Uses)	500,000	500,000	536,000	36,000
Net Changes in Fund Balances	(1,000)	(21,049)	21,253	42,302
Fund Balances-Beginning	1,000	18,049	18,049	
Fund Balance-Ending	\$	\$ (3,000)	\$ 39,302	\$ 42,302

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES-MAJOR FUNDS
Required Supplemental Information-Modified Cash Basis
For The Year Ended June 30, 2005 (Continued)

LANDFILL FUND				
	<u>Budgeted Amounts</u>		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental	\$ 40,000	\$ 40,000	\$ 41,146	\$ 1,146
Charge for Services	500,000	500,000	415,707	(84,293)
Miscellaneous	2,000	2,000		(2,000)
Interest	1,000	1,000	306	(694)
Total Revenues	543,000	543,000	457,159	(85,841)
EXPENDITURES				
General Health and Sanation	178,900	245,336	235,884	9,452
Roads	218,000	216,295	142,853	73,442
Debt Service:				
Principal	120,600	120,900	120,880	20
Interest	31,000	31,000	29,899	1,101
Administration	84,500	108,043	42,852	65,191
Total Expenditures	633,000	721,574	572,368	149,206
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(90,000)	(178,574)	(115,209)	63,365
Net Changes in Fund Balances	(90,000)	(178,574)	(115,209)	63,365
Fund Balances Beginning	90,000	178,574	121,496	(57,078)
Fund Balances-Ending	\$	\$	\$ 6,287	\$ 6,287

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES-MAJOR FUNDS
Required Supplemental Information
Modified Cash Basis
For The Year Ended June 30, 2005 (Continued)

	Revolving Loan Fund			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 500	\$ 500	\$	\$ (500)
Miscellaneous	65,000	65,000	155,085	90,085
Interest			11,744	11,744
Total Revenues	65,500	65,500	166,829	101,329
EXPENDITURES				
General Government	90,000	90,000	35,471	54,529
Recreation and Culture		15,000	10,060	4,940
Administration	75,500	253,486		253,486
Total Expenditures	165,500	358,486	45,531	312,955
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(100,000)	(292,986)	121,298	414,284
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(4,500)	(4,500)
Total Other Financing Sources (Uses)			(4,500)	(4,500)
Net Changes in Fund Balances	(100,000)	(292,986)	116,798	409,784
Fund Balances Beginning	100,000	292,986	292,986	
Fund Balances-Ending	\$	\$	\$ 409,784	\$ 409,784

GREENUP COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**GREENUP COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2005

GREENUP COUNTY
COMBINING BALANCE SHEET-
NON-MAJOR GOVERNMENTAL FUNDS-MODIFIED CASH BASIS

June 30, 2005

	<u>LGEA Fund</u>	<u>State Grants Fund</u>	<u>Federal Grants Fund</u>	<u>LGED Fund</u>	<u>E-911 Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS						
Cash and Cash Equivalents	<u>\$ 3,602</u>	<u>\$ 31,409</u>	<u>\$ 1,010</u>	<u>\$ 15,985</u>	<u>\$ 226,937</u>	<u>\$ 278,943</u>
Total Assets	<u>3,602</u>	<u>31,409</u>	<u>1,010</u>	<u>15,985</u>	<u>226,937</u>	<u>278,943</u>
FUND BALANCES						
Unreserved:						
Special Revenue Funds	<u>3,602</u>	<u>31,409</u>	<u>1,010</u>	<u>15,985</u>	<u>226,937</u>	<u>278,943</u>
Total Fund Balance	<u>\$ 3,602</u>	<u>\$ 31,409</u>	<u>\$ 1,010</u>	<u>\$ 15,985</u>	<u>\$ 226,937</u>	<u>\$ 278,943</u>

GREENUP COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

GREENUP COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES-NON-MAJOR GOVERNMENTAL FUNDS-MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	<u>LGEA Fund</u>	<u>State Grants Fund</u>	<u>Federal Grants Fund</u>	<u>LGED Fund</u>	<u>E-911 Fund</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes	\$	\$	\$	\$	\$ 336,784	\$ 336,784
Intergovernmental	6,585	282,967	1,823			291,375
Charges For Services					10,221	10,221
Miscellaneous		20	207		63,295	63,522
Interest	30	355	7	177	3,173	3,742
Total Revenue	<u>6,615</u>	<u>283,342</u>	<u>2,037</u>	<u>177</u>	<u>413,473</u>	<u>705,644</u>
EXPENDITURES						
Protection to Persons and Property		10,689		8,247	385,352	404,288
General Health and Sanitation		301,041				301,041
Social Services	3,750					3,750
Recreation and Culture		13,546		1,450		14,996
Roads	6,000		6,760			12,760
Debt Service:						
Principal					33,011	33,011
Interest					15,315	15,315
Administration		25			71,906	71,931
Total Expenditures	<u>9,750</u>	<u>325,301</u>	<u>6,760</u>	<u>9,697</u>	<u>505,584</u>	<u>857,092</u>
Excess (Deficiency) of Revenue Over Expenditures Before Other Financing Sources (Uses)	<u>(3,135)</u>	<u>(41,959)</u>	<u>(4,723)</u>	<u>(9,520)</u>	<u>(92,111)</u>	<u>(151,448)</u>
OTHER FINANCING SOURCES (USES)						
Transfer From Other Funds						
Transfers To Other Funds						
Total Other Financing Sources (Uses)						
Net Change in Fund Balances	(3,135)	(41,959)	(4,723)	(9,520)	(92,111)	(151,448)
Fund Balances-Beginning	6,737	73,368	5,733	25,505	319,048	430,391
Fund Balances-Ending	<u>\$ 3,602</u>	<u>\$ 31,409</u>	<u>\$ 1,010</u>	<u>\$ 15,985</u>	<u>\$ 226,937</u>	<u>\$ 278,943</u>

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Certified Public Accountants
800 Envoy Circle
Louisville, KY 40299
Telephone (502) 499-9088
Facsimile (502) 499-9132
www.rossepas.com

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
Members of the Greenup County Fiscal Court

Report on Internal Control Over Financial Reporting And on
Compliance And Other Matters Based on an Audit Of Financial
Statements Performed In Accordance With Governmental Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greenup County, Kentucky as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents and have issued our report thereon dated May 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greenup County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greenup County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such opinions. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report on Internal Control Over Financial Reporting And on
Compliance And Other Matters Based on an Audit Of Financial
Statements Performed In Accordance With Governmental Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be, and should not be, used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive style.

Ross & Company, PLLC

Audit Fieldwork Completed -
May 9, 2006

CERTIFICATION OF COMPLIANCE –
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

GREENUP COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2005

Appendix A

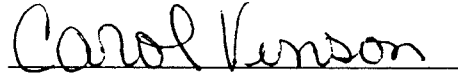
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
GREENUP COUNTY FISCAL COURT

For the Fiscal Year Ended June 30, 2005

The Greenup County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "Ruth W. Carson", written over a horizontal line.

Name
County Judge Executive

A handwritten signature in black ink, reading "Carol Venson", written over a horizontal line.

Name
County Treasurer